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MEDICARE NEWS

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MEDICARE TO OFFER BONUSES TO PHYSICIAN GROUPS FOR IMPROVING PATIENT CARE UNDER NEW DEMONSTRATION

The Centers for Medicare and Medicaid Services (CMS) today solicited applications for a new demonstration program that will reward physicians in group practice who improve the high quality of care and services they provide to Medicare beneficiaries.

During the three-year project, CMS will encourage physician groups to coordinate their care to chronically ill beneficiaries, give incentives to groups that provide efficient patient services, and promote active use of utilization and clinical data to improve efficiency and patient outcomes. The groups will receive bonus payments from savings achieved through improvements in the management of patient care and services.

The demonstration will enable CMS to test physician groups' responses to financial incentives for improving care coordination, delivery processes and outcomes, and the effect on access, cost and quality of care to Medicare beneficiaries.

"Doctors who treat Medicare beneficiaries already provide them with high quality care," CMS Administrator Tom Scully said. "Private companies have seen that care improve even more after they create incentives and we want to test that concept in Medicare."

Under the demonstration, physician groups will be paid on a fee-for-service basis and may earn a bonus from cost reductions derived from improvements in patient management. Annual performance targets will be established for each participating physician group. The targets will be equal to the average Medicare spending on beneficiaries assigned to the group during a base period, adjusted for health status and spending growth.

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The demonstration, mandated by the Benefits Improvement and Protection Act of 2000, aims to encourage coordination of Medicare Part A and Part B, reward physicians for improving health processes and outcomes, and promote efficiency through investment in administrative structure and process. Bonuses for financial performance and quality improvement may be earned if actual Medicare spending for beneficiaries assigned to the group is below the performance target.

The demonstration is open to health care organizations with at least 200 physicians. CMS seeks several different types of physician group practices to test the new incentives in various organization and clinical environments. Eligible organizations include multi-specialty physician group practices, faculty group practices, and physician groups that are part of health care systems or medical centers, or affiliated with hospitals or other providers.

The notice soliciting applications was published today in the Federal Register. Further information on the demonstration is available at <http://cms.hhs.gov/healthplans/research>.

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